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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Far East Consortium International Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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FAR EAST CONSORTIUM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

Website: <http://www.fecil.com.hk>

(Stock Code: 35)

DISCLOSEABLE TRANSACTION

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	
INTRODUCTION	4
THE AGREEMENT	5
INFORMATION ON SUBANG	7
REASONS FOR THE ACQUISITION	7
LISTING RULES IMPLICATIONS	8
ADDITIONAL INFORMATION	8
APPENDIX – GENERAL INFORMATION	9

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Acquisition”	means the acquisition by the Purchaser for the entire equity interest in Subang and the agreement by the Purchaser to repay part of the Inter-Company Debt to the extent of the Agreed Repayment
“Agreed Repayment”	means RM120 million (equivalent to approximately HK\$253 million)
“Agreement”	means the agreement entered into between the Purchaser and the Vendor on 6 September 2006 regarding the Acquisition
“Appropriate Authorities”	means any governmental department, semi- or quasi-governmental department or statutory body of agency
“associates”	has the meaning as defined in the Listing Rules
“BNM”	means Bank Negara Malaysia
“Board”	means the board of Directors
“Company”	means Far East Consortium International Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the Main Board of the Stock Exchange
“Completion”	means completion of the Agreement
“connected persons”	has the meaning as defined in the Listing Rules
“Consideration”	means the consideration of RM1 for the Sale Shares and the repayment of the part of the Inter-Company Debt to the extent of the Agreed Repayment to the Vendor
“Directors”	means the directors of the Company
“FIC”	means the Foreign Investment Committee of the Prime Minister’s Department of Malaysia
“Group”	means the Company and its subsidiaries
“HK\$”	means Hong Kong dollars, the lawful currency in Hong Kong
“Inter-Company Debt”	means the amount of indebtedness owed by Subang to the Vendor from time to time

DEFINITIONS

“Latest Practicable Date”	means 29 September 2006, being the latest practicable date prior to the bulk-printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Novation Agreement”	means the novation agreement to be entered into among the Vendor, Subang and the Purchaser, so as to transfer by way of novation the Remainder Debt to the Purchaser
“Purchaser”	means Wanchope Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“RM”	means Malaysian Ringgit, the lawful currency in Malaysia
“Remainder Debt”	means the Inter-Company Debt remained outstanding as at the date of Completion after taking into account (i) the repayment paid by the Purchaser on behalf of Subang of an amount equal to the Agreed Repayment; and (ii) all repayments by Subang up to the date of the Completion
“Sale Shares”	means 36,311,609 ordinary shares of RM1.00 each in Subang registered in the name of and held beneficially by the Vendor in the capital of Subang
“Security Interest”	means mortgages, liens, pledges, charges (fixed or floating), assignment by way of securities, hypothecation or other security interests (or agreement(s) or commitment(s) to create any of them)
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	means the holders of the Shares
“Shares”	means the ordinary shares of HK\$0.10 each in the issued share capital of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Subang”	means Subang Jaya Hotel Development Sdn Bhd, a company incorporated in Malaysia with limited liability
“Subang Hotel”	means “Sheraton Subang Hotel”, a five-star hotel with a total of 502 guests rooms located at Lot Nos. 4244 and 4245 within Mukin of Damansara, District of Petaling, Selangor Darul Ehsan, Malaysia

DEFINITIONS

“Vendor” means Jeram Bintang Sdn Bhd, a company incorporated in Malaysia with limited liability

“%” means per cent.

For illustration purposes, an exchange rate of RM1.00 = HK\$2.11 has been adopted.

LETTER FROM THE BOARD



FAR EAST CONSORTIUM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

Website: <http://www.fecil.com.hk>

(Stock Code: 35)

Executive Directors:

Mr. Deacon Te Ken Chiu (*Chairman*)
Tan Sri Dato' David Chiu (*Deputy Chairman and
Chief Executive Officer*)
Mr. Dennis Chiu
Mr. Craig Grenfell Williams

Registered Office:

P.O. Box 1043, Ground Floor,
Caledonian House, Mary Street,
George Town,
Grand Cayman, Cayman Islands,
British West Indies

Non-executive Directors:

Madam Ching Lan Ju Chiu
Mr. Dick Tat Sang Chiu
Mr. Daniel Tat Jung Chiu

Principal Office:

16/F., Far East Consortium Building,
121 Des Voeux Road Central,
Hong Kong

Independent Non-executive Directors:

Mr. David Kwok Kwei Lo
Mr. Jian Yin Jiang
Mr. Kwok Wai Chan

5 October 2006

To the Shareholders,

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

On 14 September 2006, the Directors announced that on 6 September 2006, the Agreement was entered into between the Purchaser and the Vendor pursuant to which (i) the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares representing the entire issued share capital of Subang; and (ii) the Purchaser has conditionally agreed to repay part of the Inter-Company Debt to the extent of the Agreed Repayment owed by Subang to the Vendor and the Vendor has conditionally agreed to transfer by way of novation the Remainder Debt pursuant to the Novation Agreement. The Consideration is capped at approximately RM120 million (equivalent to approximately HK\$253 million) of which a RM12 million (equivalent to approximately HK\$25 million) deposit, being 10% of the total Consideration (without interest), was paid by the Purchaser to the Vendor on the date of the Agreement.

The purpose of this circular is to give you further information regarding the Acquisition and other information required under the Listing Rules.

LETTER FROM THE BOARD

THE AGREEMENT

Date: 6 September 2006

Parties: Vendor: Jeram Bintang Sdn Bhd

Purchaser: Wanchope Limited, a wholly-owned subsidiary of the Company

Based on the information provided by the Vendor, the principal business activity of the Vendor is investment holding. To the best of the knowledge, information and belief of the Board and having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Assets to be acquired:

- (i) the Sale Shares, representing the entire issued share capital of Subang; and
- (ii) the Remainder Debt.

Subang, as set out in more detail below, is principally engaged in property holding. Its principal asset is its entire interest in the Subang Hotel.

Consideration:

The Consideration comprises RM1 (equivalent to approximately HK\$2) for the Sale Shares and RM120 million (equivalent to approximately HK\$253 million) as the repayment of the Inter-Company Debt on behalf of Subang, of which a RM12 million (equivalent to approximately HK\$25 million) deposit, being 10% of the total Consideration (without interest) was paid by the Purchaser to the Vendor on the date of the Agreement. The remaining balance of the Consideration of approximately RM108 million (equivalent to approximately HK\$228 million) is to be satisfied by the Purchaser by cash and is payable upon Completion. The Consideration was and will be financed from the Group's internal resources. Under the Agreement, the Consideration is capped at approximately RM120 million (approximately HK\$253 million). The Consideration has been agreed between the Purchaser and the Vendor on an arm's length basis with reference to (i) an independent valuation on the Subang Hotel, of which three valuation methods, namely comparison method, replacement cost method and capitalisation method were used; and (ii) the total equity of Subang and shareholders' loan owed by Subang to the Purchaser immediately after Completion.

LETTER FROM THE BOARD

Conditions precedent:

Completion is conditional upon the following conditions being satisfied or waived (as the case may be):

- (i) the approval of the board of directors of the Purchaser being obtained for the purchase of the Sale Shares;
- (ii) the approval of the bondholders of the Vendor to the sale and purchase of the Sale Shares being obtained;
- (iii) the approval of the FIC being obtained by the Purchaser for the sale and purchase of the Sale Shares and the transfer by way of novation of the Remainder Debt pursuant to the Novation Agreement (if required);
- (iv) the approval of BNM being obtained by the Purchaser for the sale and purchase of the Sale Shares and the repayment (on behalf of Subang) of the part of the Inter-Company Debt to the extent of the Agreed Repayment and the transfer by way of novation of the Remainder Debt pursuant to the Novation Agreement (if required); and
- (v) the approval of any other Appropriate Authorities (other than FIC) being obtained for the sale and purchase of the Sale Shares by the Purchaser and the Vendor and the repayment (on behalf of Subang) of the part of the Inter-Company Debt to the extent of the Agreed Repayment and the transfer by way of novation of the Remainder Debt pursuant to the Novation Agreement (if required).

In the event that any of the above conditions have not been satisfied (or otherwise waived by the Purchaser or Vendor) within two months from the date of the Agreement or such other period as may be mutually agreed by the Purchaser and the Vendor, then either the Purchaser or the Vendor shall be at liberty to terminate the Agreement.

As at the Latest Practicable Date, neither the Purchaser nor the Vendor intended to waive any of the above conditions, and condition (i) above had been satisfied.

Completion:

Completion will take place within three months after the Agreement has become unconditional (or such other date as the Purchaser and the Vendor may agree).

Upon Completion:

- (i) the Remainder Debt will be transferred by way of novation to the Purchaser pursuant to the Novation Agreement (if required); and
- (ii) all charges, debentures and other Security Interest of Subang will be released.

LETTER FROM THE BOARD

INFORMATION ON SUBANG

Subang is a property holding company and its principal asset is its entire interest in the Subang Hotel.

The Subang Hotel is a five-star hotel opened in Kuala Lumpur and located at Lot Nos. 4244 and 4245 within Mukin of Damansara, District of Petaling, Selangor Darul Ehsan, Malaysia. The hotel is mainly comprised of three hotel blocks with a gross floor area of approximately 54,476 square meters. The Subang Hotel has a total of 502 guests rooms with ancillary facilities. The Subang Hotel is situated close to the central area of Kuala Lumpur with convenient transportation to many of the landmarks and tourist attractions in Kuala Lumpur. The Subang Hotel is currently operated by Sheraton Overseas Management Corporation under a hotel management agreement.

Set out below are the audited financial results of Subang for each of the two years ended 31 December 2005 prepared in accordance with Malaysian accounting standards, which are comparable with International Financial Reporting Standards:

	2005 <i>RM'000</i> <i>(HK\$'000 equivalent)</i>	2004 <i>RM'000</i> <i>(HK\$'000 equivalent)</i>
Turnover	43,636 (92,072)	43,225 (91,205)
(Loss)/profit before taxation	(18,184) ((38,368))	5,667 (11,957)
(Loss)/profit attributable to the shareholder of Subang	(18,184) ((38,368))	5,667 (11,957)

As at 31 December 2005, the audited net liabilities of Subang were approximately RM202 million (equivalent to approximately HK\$426 million). As at 31 December 2005, the audited balance of the Inter-Company Debt amounted to approximately RM352 million. Taking into account (i) the Agreed Repayment of RM120 million; and (ii) the novation of the Remainder Debt pursuant to the Novation Agreement, the net liabilities of Subang upon Completion will be reduced to approximately RM82 million (equivalent to approximately HK\$173 million) (which includes the shareholders' loan owed by Subang to the Purchaser of approximately RM232 million (equivalent to approximately HK\$490 million) immediately following the completion of the Novation Agreement). On this basis, taking into account such shareholders' loan of RM232 million (equivalent to approximately HK\$490 million) held by the Purchaser, the book value of Subang attributable to the Group upon Completion would turn positive, amounting to approximately RM150 million (equivalent to approximately HK\$317 million).

REASONS FOR THE ACQUISITION

The principal activities of the Group are property development and investment, hotel operations, loan financing for hotel operations and securities investment and trading. As at the Latest Practicable Date, the Group had 6 hotels in Hong Kong, 1 hotel in Malaysia and 1 hotel in the United States. In addition to the aforesaid 6 hotels in Hong Kong, there are 3 other new hotels in Hong Kong under development. The Group is actively seeking investment opportunities in the hospitality industry, both in Hong Kong and overseas.

LETTER FROM THE BOARD

The Board considers that the Acquisition represents a good opportunity for the Group to strengthen its existing hotel portfolio and provides a platform to the Group to capture the future growth of tourism business in Malaysia. Upon Completion, the Acquisition will not have any material impact on the Group's total assets, total liabilities and results. After Completion, the financial results of Subang will be consolidated into the Group's financial statements. The Directors consider that the terms of the Acquisition are on normal commercial terms, determined after arm's length negotiations and that the terms thereof are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

ADDITIONAL INFORMATION

Your attention is drawn to the general information on the Company as set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board of
Far East Consortium International Limited
David Chiu
*Deputy Chairman and
Chief Executive Officer*

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange:

(a) Shares

Name of Director	Nature of interests	Number of ordinary shares held			Beneficial interests in underlying Shares	Total	Percentage of issued share capital of the Company
		Personal interests	Corporate interests				
Deacon Te Ken Chiu	Long position	10,534,984	115,641,256 (1)	–	126,176,240	8.75%	
David Chiu	Long position	640,859	321,608,292 (2)	11,000,000 (3)	333,249,151	23.11%	
Dennis Chiu	Long position	8,327	5,029,711 (4)	–	5,038,038	0.35%	
Ching Lan Ju Chiu	Long position	1,314,032	–	–	1,314,032	0.09%	
Dick Tat Sang Chiu	Long position	837,990	–	–	837,990	0.06%	
Daniel Tat Jung Chiu	Long position	39,412	3,877,218 (5)	–	3,916,630	0.27%	

Notes:

- (1) These Shares are held by various companies controlled by Mr. Deacon Te Ken Chiu.
- (2) These Shares are held by Sumptuous Assets Limited, a company controlled by Tan Sri David Chiu and including the lending of 73,874,886 Shares.
- (3) These interests represent derivative interests pursuant to a derivative contract exercisable for the period from 26 April 2006 to 26 April 2007.
- (4) These Shares are held by Chiu Capital N.V., a company controlled by Mr. Dennis Chiu and First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu.
- (5) These Shares are held by First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu and are entirely duplicated and included in the corporate interests of Mr. Dennis Chiu.

(b) Share options

As at the Latest Practicable Date, the Company has not granted to the Directors any share option under the share option scheme adopted on 28 August 2002.

(c) Shares in associated corporations

As at the Latest Practicable Date, the interests of a Director in the share capital of the Company's associated corporations was as follow:

Name of Director	Name of associated corporation	Number of ordinary shares held
David Chiu	Oi Tak Enterprises Limited	250,000

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register of interests in long positions and short positions kept by the Company pursuant to Divisions 2 and 3 of Part XV and section 336 of the SFO and so far as the Directors are aware, the following persons had a long position or short position in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	Number of ordinary shares held	%
Deutsche Bank Aktiengesellschaft ("DBA")	232,698,457 <i>(Note)</i>	16.14
Penta Investment Advisers Ltd.	126,377,209	8.76
PMA Capital Management Ltd.	96,346,320	6.68

Note: According to the notice to the Company from DBA, as at the Latest Practicable Date, DBA had interest of 232,698,457 Shares and 80,754,620 Shares were held in short position.

Save as disclosed above, none of the Directors or chief executive of the Company are aware of any person (other than the Directors or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, there were no existing or proposed service contracts between any of the Directors and any member of the Group, excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

To the best knowledge of the Directors, none of the Directors or their respective associates has any interests in a business, which competes or may compete with the business of the Group.

7. MISCELLANEOUS

- (a) The qualified accountant and secretary of the Company is Bill Kwai Pui Mok, MBA, AICPA, HKICPA.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The English language text of this circular shall prevail over the Chinese language text.